



CABLE & WIRELESS, INC.

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OCT 19 1995

FCC MAIL ROOM

Mr. William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street, N.W., Room 222
Washington, D.C. 20554

Re: Ex Parte IB 95-22 Foreign Affiliated Entities

Dear Mr. Caton:

This letter is to advise that Keith Bernard and I met with Federal Communications Commission personnel regarding issues pertaining to the above-referenced proceeding. Attached is a copy of presentation material associated with these meetings. Below is a list of meeting dates and FCC personnel in attendance.

10/12/95 Diane Cornell and Telecommunications Division staff

10/12/95 Aileen Pisciotta and Planning and Negotiations Division staff

Two copies of this notice are submitted for enclosure in the above-reference docket, in accordance with Section 1.1206(a)(1) of the Commission's rules.

Very truly yours,

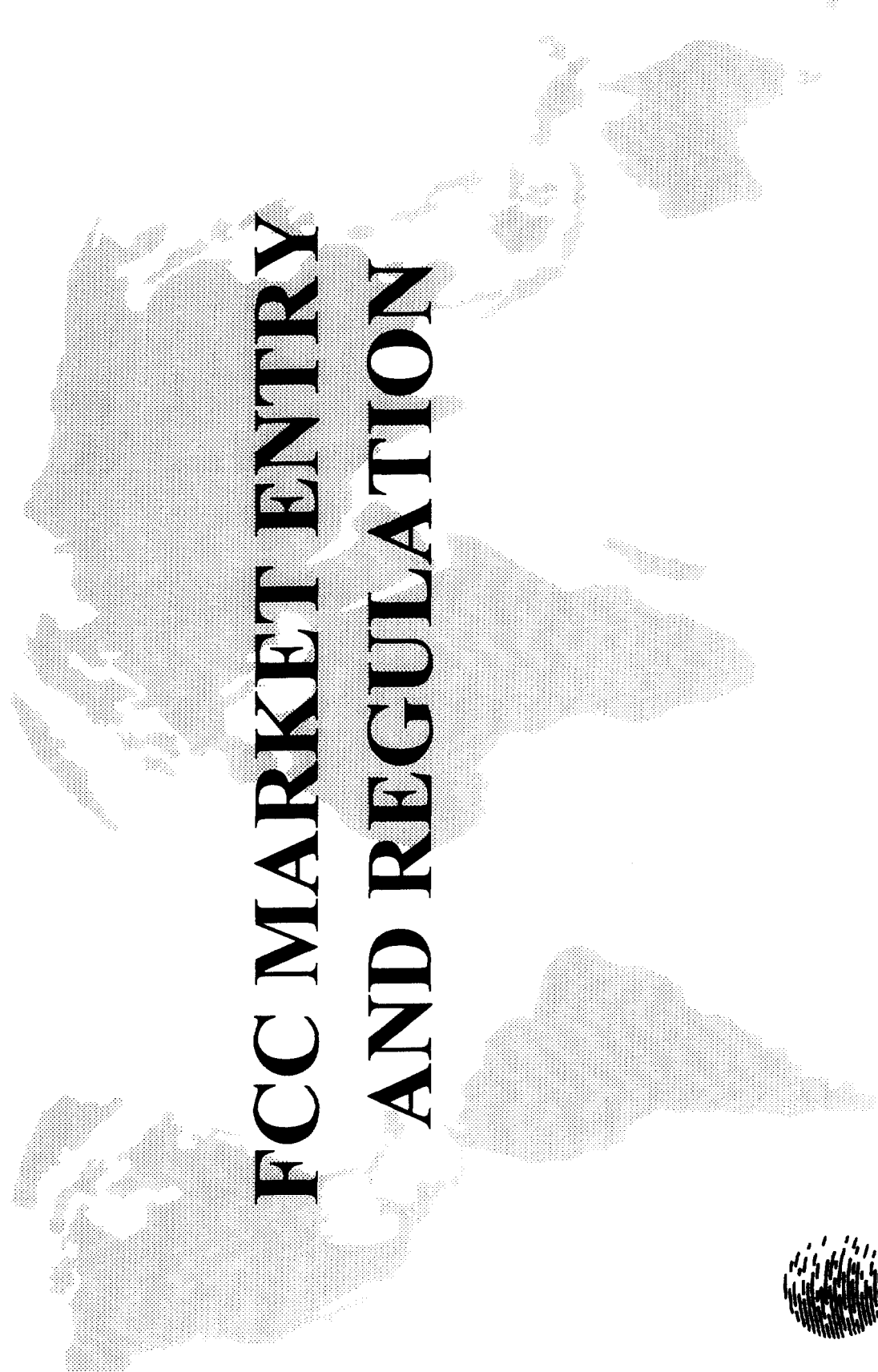
Rachel Rothstein
Senior Regulatory Attorney

cc: Diane Cornell
Aileen Pisciotta

/dmm
Enclosure

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FCC MARKET ENTRY AND REGULATION



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FCC'S GOALS

The Commission set three goals underlying its market entry proposal:

- Promote effective competition in the global telecommunications service market.
- Encourage foreign governments to open their communications markets.
- Prevent anti-competitive behavior



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FINDINGS

The FCC tentatively concluded that:

- Allowing entry of foreign carriers into the U.S. international market would benefit consumers; and
- Unrestricted facilities-based entry may not be in public interest if U.S. carriers do not have effective opportunities to compete in the provision of services in foreign carriers' "primary" markets.



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PRIMARY MARKET TEST

- Any foreign carrier seeking authority to provide facilities-based international services in the U.S. would have to demonstrate that effective market access is available to U.S. carriers in the primary markets served by the foreign carrier



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PRIMARY MARKET TEST (con't)

Primary Market is defined as:

- 1) Key markets where the carrier [seeking authority] has a;
- 2) Significant ownership interest in a facilities-based telecommunication entity that has a;
- 3) Substantial or dominant market share of either the international or local termination telecommunications market of the country; and
- 4) Traffic flows between the United States and that country are significant.

*Underlined terms are undefined



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PROBLEMS WITH PRIMARY MARKET APPROACH

- Confuses Trade Policy with Regulatory Concerns
- Would embroil FCC and applicants in protracted, fact-specific inquiries.
- FCC will be forced to consider each market in which a given carrier has an “interest.”
- Could frustrate continued liberalization policies or frustrate multi-lateral market opening agreements.
- Analysis beyond home-market is unprecedented in U.S. trade agreements.



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US INTERESTS ABROAD AT RISK FROM PRIMARY MARKET APPROACH

<u>Country</u>	<u>Venture</u>	<u>Ownership</u>	<u>Status</u>
Argentina	CRM (Cellular)	BellSouth 38% Motorola 25%	Duopoly
Australia	OPTUS	BellSouth 24.5%	Duopoly
Hungary	MATAV	Ameritech 15% (via consortium)	Monopoly
Ukraine	UTEL	AT&T 20%	Duopoly
Venezuela	CANTV	GTE 20% AT&T 2% (via consortium)	Monopoly



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CONCLUSION

FCC should focus only on carrier's "home" market.

- Most effective means open foreign telecommunications markets to U.S. carriers.
- Consistent with other U.S. trade policy positions.



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FOREIGN OWNERSHIP OF RADIO LICENSES

- FCC proposes to apply effective market access test to radio licenses.

Effective market test considers factors relevant to the provision of international facilities - based service.

310 (radio) licenses are used principally for fixed and mobile domestic services.

- FCC should consider market sector specific test.
- Consistent with Senate versions of telecommunications legislation



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DOMINANT CARRIER POLICY REFORM

Cost Based-Accounting Rates --- CWI supports FCC's rejection of AT&T proposal to require cost-based accounting rates as a conditioning foreign carrier entry.

Non-discrimination -- Reasonable provisions in operating agreements and licenses for arm's length transactions are sufficient to allow services to be provided on dominant routes

- A "No special concessions" provision in operating agreements;
- A dominant" carrier in an alliance must enter into operating agreements with all carriers which have 5 percent market share in their home market
- "Dominant" alliance partners must make available customized services such as VPN to members of other alliances



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